

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 OES-07 INT-05

AGRE-00 /109 W

-----026405 010751Z /17

R 010419Z AUG 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8306

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

UNCLAS KUALA LUMPUR 5005

E.O. 11652: N/A

TAGS: ECON, MY

SUBJECT: MALAYSIA'S ECONOMIC PERFORMANCE DURING THE FIRST QUARTER '77

1. SUMMARY. THE OVERALL PERFORMANCE OF THE MALAYSIAN ECONOMY DURING THE FIRST QUARTER OF THIS YEAR WAS IMPRESSIVE. HOWEVER, PRIVATE INVESTMENT REMAINED SLUGGISH. IN GENERAL, SIGNIFICANT IMPROVEMENT WAS RECORDED IN ALL THE DOMESTIC ECONOMIC SECTORS. END SUMMARY.

2. OUTPUT IN THE CONSTRUCTION SECTOR CONTINUED ITS STRONG UPWARD TREND WHILE OUTPUT IN THE AGRICULTURE, MINING AND MANUFACTURING SECTORS WAS MAINTAINED AT HIGH LEVELS. ON AN ANNUAL BASIS OUTPUT IN THESE SECTORS ROSE DURING THE QUARTER WITH MANUFACTURING OUTPUT SHOWING THE MOST SIGNIFICANT INCREASE OF 19 PERCENT. EXPORT DEMAND CONTINUED TO PROVIDE THE MAJOR STIMULUS TO ECONOMIC GROWTH, RISING MARKEDLY BY 29.2 PERCENT ON AN ANNUAL BASIS. THE HIGHER EXPORT EARNINGS WERE LARGELY DUE TO INCREASES IN THE TRADE-
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TIONAL EXPORTS OF RUBBER, PALM OIL AND TIN COUPLED WITH CRUDE PETROLEUM, TOTALLING US\$1479.3 MILLION (US\$1.00 EQUALS M\$2.46).

3. DESPITE THE INCREASING LEVEL OF ECONOMIC ACTIVITY PRODUCED BY BOTH DOMESTIC AND OVERSEAS DEMAND AND EXPANSIONARY PUBLIC EXPENDITURE POLICIES, PRIVATE INVESTMENT ACTIVITY STILL REMAINED SLUGGISH. IMPORTS ROSE SIGNIFICANTLY

BY 16.1 PERCENT ON AN ANNUAL BASIS, GIVING A TRADE SURPLUS OF US\$406.5 MILLION AND WAS THE MAIN FACTOR ACCOUNTING FOR THE IMPROVEMENT IN THE BALANCE OF PAYMENTS. REFLECTING THE SURPLUS IN THE OVERALL BALANCE, NET FOREIGN RESERVE HOLDINGS OF THE CENTRAL BANK ROSE BY US\$48 MILLION TO US\$2588.2 MILLION AT THE END OF MARCH 1977. GROWTH IN MONEY SUPPLY WAS MODERATE. HOWEVER, STRONG GROWTH IN QUASI-MONEY REFLECTED CONTINUED BOUYANT EXPORT EARNINGS AND DEVELOPMENT ALLOCATIONS RECEIVED BY STATUTORY AUTHORITIES WHICH WERE NOT YET DISBURSED. ON AN ANNUAL BASIS, MONEY SUPPLY AND PRIVATE SECTOR LIQUIDITY IN THE FIRST QUARTER THIS YEAR ROSE BY 18.7 PERCENT AND 25.8 PERCENT RESPECTIVELY.

4. ALTHOUGH THERE WAS A STEP-UP IN LOANS TO THE MANUFACTURING SECTOR, REFLECTING CONTINUING EXPANSION IN MANUFACTURING OUTPUT, TOTAL BANK CREDIT ROSE ONLY MODERATELY BY 0.7 PERCENT TO M\$8.115 MILLION. THUS, BANK LIQUIDITY REMAINED AT A HIGH LEVEL (40 PERCENT) DUE TO THE WEAK DEMAND.

5. DUE TO THE STRONG EMPHASIS STRESSED ON PRIVATE INVESTMENT TO PROVIDE THE IMPETUS FOR ECONOMIC GROWTH DURING THE THIRD MALAYSIAN PLAN PERIOD, AND CONTINUED SLUGGISHNESS IN THAT AREA, THERE WAS FURTHER RELAXATION OF MONETARY POLICY. THE PRIME AND PREFERENTIAL RATES OF INTEREST ON LOANS WERE REDUCED FROM 8.5 PERCENT AND 8 PERCENT TO 7.5 PERCENT AND 7 PERCENT PER ANNUM RESPECTIVELY. RATES UNCLASSIFIED

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ON FIXED AND SAVINGS DEPOSITS WERE ALSO REDUCED BY MARGINS RANGING FROM ONE-HALF TO ONE PERCENT.
MILLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, QUARTERLY REPORTS
Control Number: n/a
Copy: SINGLE
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770274-0661
Format: TEL
From: KUALA LUMPUR
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t197708111/aaaadqnt.tel
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Litigation History:
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Original Previous Classification: n/a
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Retention: 0
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Review Exemptions: n/a
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